

September 2000

FINANCIAL AUDIT

Independent and Special Counsel Expenditures for the Six Months Ended March 31, 2000



G A O

Accountability * Integrity * Reliability

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Abbreviations

ADP	automatic data processing
AOUSC	Administrative Office of the U.S. Courts
FBI	Federal Bureau of Investigation
IRS	Internal Revenue Service
OIC	Office of Independent Counsel
OSC	Office of Special Counsel



United States General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-286132

September 29, 2000

Congressional Committees

Enclosed is our opinion on the statements of expenditures of seven offices of independent counsel and one office of special counsel for the 6 months ended March 31, 2000. We are sending copies of this report to the Attorney General, the Director of the Administrative Office of the U.S. Courts, the independent counsels and special counsel included in our audit, and other interested parties. Copies will be made available to others upon request.

David L. Clark
Director, Audit Oversight and Liaison



B-286132

Congressional Committees

This report presents the results of our audits of expenditures¹ reported by seven offices of independent counsel and one office of special counsel for the 6 months ended March 31, 2000. The Department of Justice and the independent counsels are required under 28 U.S.C. 594(d)(2), (h), and 596(c)(1) (1994) to report on expenditures from a permanent, indefinite appropriation established within Justice to fund independent counsel activities. We are required under 28 U.S.C. 596(c)(2), to audit the statements of expenditures prepared by the independent counsels. We also audited the statements of expenditures of Special Counsel John C. Danforth, who is authorized by the Department of Justice to fund his operations from the permanent, indefinite appropriation.

We found that the statements of expenditures presented in appendixes I through VIII, for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Daniel S. Pearson, Donald C. Smaltz, and Kenneth W. Starr/Robert W. Ray, and special counsel John C. Danforth, respectively, were fairly presented in all material respects. Our consideration of internal controls, which was limited for the purpose of determining our procedures for auditing the statements of expenditures, disclosed no material weaknesses. Further, our audits included limited tests of compliance with laws and regulations that disclosed no reportable instances of noncompliance with the laws and regulations we tested.

The following sections provide background information, outline each conclusion in more detail, and discuss the scope of our audits.

Background

The Ethics in Government Act of 1978 amended title 28 of the United States Code to authorize the judicial appointment of independent counsels when the Attorney General determines that reasonable grounds exist to warrant further investigation of high-ranking government officials for certain alleged crimes. The independent counsel law (28 U.S.C. 591-599 (1994)) was intended to preserve and promote the accountability and integrity of

¹The term expenditures as used in this report generally means cash disbursed.

public officials and of the institutions of the federal government. The independent counsel law expired on June 30, 1999. Provisions of the law allow the independent counsels serving at the expiration date to continue investigating pending matters until they determine that the investigations of such matters have been completed. Also, the Department of Justice determined that the appropriation established by Public Law 100-202 to fund expenditures by independent counsels appointed pursuant to 28 U.S.C. 591-599, or other law, is available to fund the expenditures of John C. Danforth, who was appointed as a Special Counsel within the Department of Justice by the Attorney General.

The independent counsel law directs the Department of Justice to pay all costs relating to the establishment and operation of independent counsel offices and designates specific responsibilities to the Administrative Office of the U.S. Courts (AOUSC) for independent counsels' administrative support. Justice periodically disburses lump-sum payments to AOUSC for this purpose.

During any 6-month period, there may be other significant costs incurred in support of the work of the counsels, which are paid from appropriations other than the permanent, indefinite appropriation established to fund independent counsel activities. These costs arise when a counsel uses detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI). Independent counsels are not required to reflect such costs in their statements of expenditures and neither the independent counsels nor special counsel do so. However, to the extent practicable the counsels identified and discussed these costs in the notes to their statements presented in the appendixes to this report.

These statements and related notes do not include certain expenditures related to the investigation by independent counsel Curtis E. von Kann's (formerly Independent Counsel Sealed-1996) office which officially closed effective November 30, 1998, and accordingly, no longer prepares financial statements. However, \$3,513 in expenditures occurred during this period for installation of a security system in 1998.

Opinion on Statements of Expenditures

The counsels prepared their statements of expenditures principally on a cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The bases of accounting are described in note 1 of each counsel's statement.

In our opinion, the statements of expenditures including the accompanying notes for the offices of independent counsel Arlin M. Adams/Larry D. Thompson, David M. Barrett, Carol Elder Bruce, Ralph I. Lancaster, Daniel S. Pearson, Donald C. Smaltz, and Kenneth W. Starr/Robert W. Ray, and for the office of special counsel John C. Danforth present fairly, in all material respects, the expenditures of these counsels for the 6 months ended March 31, 2000, on the basis of accounting described in note 1 to each office's statement.

Consideration of Internal Control Structure

We gained an understanding of internal controls whose objectives are to (1) safeguard assets against loss from unauthorized acquisition, use, or disposition; (2) assure the execution of transactions in accordance with laws governing the use of budget authority and with other laws and regulations that have a direct and material effect on the statements of expenditures; and (3) properly record, process, and summarize transactions to permit the preparation of reliable statements of expenditures and to maintain accountability for assets.

The purpose of our consideration of internal controls was to determine our procedures for auditing the statements of expenditures and, accordingly, we do not express an opinion on internal controls. However, for the controls we tested, we found no material weaknesses or other reportable conditions in the internal control structure and its operations for the 6-month period ended March 31, 2000. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their duties. Our internal control work would not necessarily identify all material weaknesses.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

In order to carry out their financial operations and to ensure accountability, independent counsels are responsible for preparing statements of expenditures in conformity with the bases of accounting described in the accompanying notes. Though not required to do so, the special counsel also elected to prepare statements of expenditures. The counsels are also responsible for establishing and maintaining an internal control structure to provide reasonable assurance that the internal control objectives previously mentioned are met, and for complying with applicable laws and regulations.

In carrying out our work, we are responsible for obtaining reasonable assurance about whether the statements of the counsels are presented fairly, in all material respects, in conformity with the bases of accounting described in the accompanying notes. Also, we are responsible for obtaining a sufficient understanding of internal controls to plan the audits and for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, for each counsel, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the statement of expenditures and notes attached thereto, except items indicated as unaudited; (2) assessed the accounting principles used by management; (3) evaluated the overall presentation of the statement of expenditures; (4) obtained an understanding of the internal control structure related to safeguarding assets, compliance with laws and regulations (including execution of transactions in accordance with budget authority), and financial reporting; (5) tested relevant internal controls over safeguarding assets, compliance, and financial reporting; and (6) tested compliance with certain aspects of selected provisions of 28 U.S.C. 591-599 (1994), 5 U.S.C. Chapter 55, and regulations relating to pay administration.

We limited our internal control testing to those controls necessary to achieve the objectives outlined in our statement on internal controls. Because of inherent limitations in any internal control structure, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We did not test compliance with all laws and regulations applicable to the offices of independent and special counsel. We limited our tests of compliance to those which we deemed applicable to the statements of expenditures. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We obtained, but did not audit, information on costs that were not paid from the permanent, indefinite appropriation as well as information on receipts. We obtained information on these costs and receipts from the independent and special counsel offices; the Department of Justice, including the FBI; the Department of the Treasury, including the Internal Revenue Service; the U.S. Postal Service; and the Office of Inspector General for the Department of Agriculture.

We discussed the results of our work with representatives of the seven offices of independent counsel, the office of the special counsel, the Department of Justice, and AOUSC, and have incorporated their comments where appropriate.

We performed our audits in accordance with generally accepted government auditing standards.

A handwritten signature in black ink that reads "David L. Clark". The signature is written in a cursive style with a large, stylized initial "D".

David L. Clark
Director, Audit Oversight and Liaison

September 8, 2000

List of Committees

The Honorable Ted Stevens
Chairman

The Honorable Robert C. Byrd
Ranking Minority Member
Committee on Appropriations
United States Senate

The Honorable Fred Thompson
Chairman

The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable Orrin G. Hatch
Chairman

The Honorable Patrick J. Leahy
Ranking Minority Member
Committee on the Judiciary
United States Senate

The Honorable C. W. Bill Young
Chairman

The Honorable David R. Obey
Ranking Minority Member
Committee on Appropriations
House of Representatives

The Honorable Dan Burton
Chairman

The Honorable Henry A. Waxman
Ranking Minority Member
Committee on Government Reform
House of Representatives

The Honorable Henry J. Hyde
Chairman
The Honorable John Conyers, Jr.
Ranking Minority Member
Committee on the Judiciary
House of Representatives

Statement of Expenditures for Independent Counsel Adams/Thompson

ARLIN M. ADAMS/LARRY D. THOMPSON

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 2000

Personnel compensation and benefits	\$31,790
Rent, communications, and utilities (note 2)	12,928
Contractual services (note 3)	17,463
Supplies and materials	268
Administrative services (note 4)	<u>9,424</u>
Total expenditures	<u>\$71,873</u>

The accompanying notes are an integral part of this statement.

ARLIN M. ADAMS/LARRY D. THOMPSON

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Arlin M. Adams/Larry D. Thompson (OIC-Adams/Thompson) for the 6 months ended March 31, 2000. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Adams was appointed on March 1, 1990, to investigate the administration of various programs of the Department of Housing and Urban Development from 1983 to 1989. On May 15, 1995, Mr. Adams resigned his appointment, effective July 3, 1995, at which time he was succeeded by Larry D. Thompson as independent counsel. On June 3, 1999, based on information submitted by the independent counsel, the Court ordered the termination of OIC-Adams/Thompson, effective that same date, except to the extent necessary to conclude outstanding financial obligations and to comply with the final audit requirements of 28 U.S.C. 596 (c). Expenditures during this period relate to archiving independent counsel records.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Rent, communications, and utilities

Approximately \$11,800 in office rent is included in rent, communications, and utilities.

Note 3 - Contractual services

Contractual services primarily consist of payments to experts for assistance in preparing independent counsel records for archiving.

**Appendix I
Statement of Expenditures for Independent
Counsel Adams/Thompson**

Note 4 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Adams/Thompson. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$6,258 incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 5 – Other costs (unaudited)

In September 1999, a special division of the U.S. Court of Appeals for the D.C. Circuit awarded reimbursement of \$229,950 for attorneys' fees and expenses to an individual who had been investigated by OIC-Adams/Thompson but not indicted. The reimbursement was made in March 2000 from the permanent fund established for the payment of judgments.

Statement of Expenditures for Independent Counsel Barrett

DAVID M. BARRETT

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 2000

Personnel compensation and benefits	\$778,040
Travel (note 2)	107,338
Rent, communications, and utilities (note 3)	239,052
Contractual services (note 4)	190,514
Acquisition of capital assets	364
Supplies and materials	3,744
Administrative services (note 5)	<u>111,514</u>
Total expenditures	<u>\$1,430,566</u>

The accompanying notes are an integral part of this statement.

DAVID M. BARRETT

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-David M. Barrett (OIC-Barrett) for the 6 months ended March 31, 2000. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Barrett was appointed on May 24, 1995, to investigate certain allegations against the Secretary of Housing and Urban Development.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Barrett personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$181,600 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of expenditures for investigators and other specialists in areas of interest to the investigation.

**Appendix II
Statement of Expenditures for Independent
Counsel Barrett**

Note 5 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Barrett. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$68,095, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Statement of Expenditures for Independent Counsel Bruce

CAROL ELDER BRUCE

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 2000

Personnel compensation and benefits	\$466,326
Travel (note 2)	12,725
Rent, communications, and utilities (note 3)	271,142
Contractual services (note 4)	78,456
Acquisition of capital assets (note 5)	4,338
Supplies and materials	5,025
Administrative services (note 6)	<u>52,710</u>
Total expenditures	<u>\$890,722</u>

The accompanying notes are an integral part of this statement.

CAROL ELDER BRUCE

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Carol Elder Bruce (OIC-Bruce) for the 6 months ended March 31, 2000. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Ms. Bruce was appointed on March 19, 1998, to investigate whether the Secretary of the Interior may have violated federal criminal law in sworn testimony before a congressional committee. Ms. Bruce submitted her final report to the Special Division of the U.S. Court of Appeals for the District of Columbia Circuit on December 30, 1999.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Bruce personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$238,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of payments for specialists to assist in writing the final report.

**Appendix III
Statement of Expenditures for Independent
Counsel Bruce**

Note 5 - Acquisition of capital assets

The capital assets expenditures are for the purchase of furniture. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Bruce. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$24,538, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the FBI and the Department of Justice were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies are not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of these agencies.

	<u>Costs (unaudited)</u>
FBI	\$11,129
Other Justice	<u> 33</u>
	<u>\$11,162</u>

Statement of Expenditures for Independent Counsel Lancaster

RALPH I. LANCASTER

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 2000

Personnel compensation and benefits	\$646,840
Travel (note 2)	77,089
Rent, communications, and utilities (note 3)	130,798
Contractual services (note 4)	524,850
Acquisition of capital assets (note 5)	3,760
Supplies and materials	3,958
Administrative services (note 6)	<u>67,349</u>
Total expenditures	<u>\$1,454,644</u>

The accompanying notes are an integral part of this statement.

**Appendix IV
Statement of Expenditures for Independent
Counsel Lancaster**

RALPH I. LANCASTER

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Ralph I. Lancaster (OIC-Lancaster) for the 6 months ended March 31, 2000. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Lancaster was appointed on May 26, 1998, to investigate activities of the Secretary of Labor regarding a possible undisclosed financial interest in a company and the solicitation of illegal campaign contributions.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Lancaster personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$117,500 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services represent expenditures for services of experts and other specialists in areas of interest to the investigation.

**Appendix IV
Statement of Expenditures for Independent
Counsel Lancaster**

Note 5 - Acquisition of capital assets

The capital assets expenditures are principally for the purchase of file cabinets. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Lancaster. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$42,382, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the FBI, the Department of Justice, and the Internal Revenue Service were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies were not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of these agencies.

	Costs (unaudited)
FBI	\$90,153
Other Justice	55
IRS	<u>85,104</u>
	<u>\$175,312</u>

Statement of Expenditures for Independent Counsel Pearson

DANIEL S. PEARSON

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 2000

Personnel compensation and benefits	\$47,041
Travel	1,547
Rent, communications, and utilities (note 2)	15,946
Contractual services (note 3)	23,494
Acquisition of capital assets	168
Supplies and materials	3,558
Administrative services (note 4)	<u>12,657</u>
Total expenditures	<u>\$104,411</u>

The accompanying notes are an integral part of this statement.

DANIEL S. PEARSON

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Daniel S. Pearson (OIC-Pearson) for the 6 months ended March 31, 2000. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Pearson was appointed on July 6, 1995, to investigate certain allegations against the Secretary of Commerce. On April 3, 1996, the Secretary was killed in a plane crash. Shortly thereafter, the independent counsel closed the investigation of the Secretary and transferred the investigation related to other parties to the Department of Justice. Expenditures during this period relate to efforts to archive the investigative records.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 – Rent, communications, and utilities

Approximately \$11,800 in office rent is included in rent, communications, and utilities.

Note 3 – Contractual Services

Contractual services primarily consist of payments to experts in preparing independent counsel records for archiving.

Note 4 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Pearson. Payment of these fees generally occurs in the month following the services.

Appendix V
Statement of Expenditures for Independent
Counsel Pearson

Also included in administrative services are other costs, amounting to \$6,258, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Statement of Expenditures for Independent Counsel Smaltz

DONALD C. SMALTZ

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 2000

Personnel compensation and benefits	\$451,527
Travel (note 2)	39,208
Rent, communications, and utilities (note 3)	171,768
Contractual services (note 4)	35,965
Acquisition of capital assets (note 5)	5,225
Supplies and materials	6,373
Administrative services (note 6)	<u>55,447</u>
Total expenditures	<u>\$765,513</u>

The accompanying notes are an integral part of this statement.

**Appendix VI
Statement of Expenditures for Independent
Counsel Smaltz**

DONALD C. SMALTZ

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Donald C. Smaltz (OIC-Smaltz) for the 6 months ended March 31, 2000. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Smaltz was appointed on September 9, 1994, to investigate activities of a former Secretary of Agriculture.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 - Travel

Travel generally includes expenditures for travel paid for OIC-Smaltz personnel and detailees from other federal agencies, such as the Department of Agriculture.

Note 3 - Rent, communications, and utilities

Approximately \$161,200 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of expenditures for services of experts and other specialists in areas of interest to the investigation.

**Appendix VI
Statement of Expenditures for Independent
Counsel Smaltz**

Note 5 - Acquisition of capital assets

The capital assets expenditures are principally for law books. These assets remain the property of the federal government at the conclusion of the investigation.

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Smaltz. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$34,421, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the Department of Justice and the Inspector General of the Department of Agriculture were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies are not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of these agencies.

	Costs (unaudited)
Agriculture	\$13,399
Justice	<u>11</u>
	<u>\$13,410</u>

Note 8 - Receipts (unaudited)

As of March 31, 2000, OIC-Smaltz's convictions and referrals have resulted in the imposition of \$11,597,256 in criminal fines, civil penalties, damages, and reimbursement of costs. Approximately \$9,926,850 of that amount has been received and deposited into the U.S. Treasury.

Statement of Expenditures for Independent Counsel Starr/Ray

KENNETH W. STARR/ROBERT W. RAY

Office of Independent Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 2000

Personnel compensation and benefits	\$1,654,339
Travel (note 2)	309,402
Rent, communications, and utilities (note 3)	559,676
Contractual services (note 4)	604,208
Acquisition of capital assets (note 5)	13,459
Supplies and materials	40,102
Administrative services (note 6)	<u>198,292</u>
Total expenditures	<u>\$3,379,478</u>

The accompanying notes are an integral part of this statement.

KENNETH W. STARR/ROBERT W. RAY

Office of Independent Counsel

Notes to Statement of Expenditures

Note 1 - Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Independent Counsel-Kenneth W. Starr/Robert W. Ray (OIC-Starr/Ray) for the 6 months ended March 31, 2000. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for the office of independent counsel that are processed through the Administrative Office of the U.S. Courts (AOUSC) and the OIC. Mr. Starr was appointed on August 5, 1994, to assume the investigation of possible violations of federal criminal law in Re: Madison Guaranty Savings and Loan Association and other entities, which was begun by regulatory Independent Counsel Robert B. Fiske, Jr. The U.S. Court of Appeals subsequently expanded OIC-Starr's jurisdiction to include selected White House Travel Office and access-to-personnel-file issues on March 22, 1996, and June 21, 1996, respectively. On October 25, 1996, it further expanded OIC-Starr's jurisdiction to include issues related to statements made before the Government Reform and Oversight Committee, U.S. House of Representatives, on June 26, 1996. On January 16, 1998, the Court expanded OIC-Starr's jurisdiction to include issues related to whether, in a civil case, certain individuals suborned perjury, obstructed justice, intimidated witnesses, or otherwise violated federal law in dealing with witnesses, potential witnesses, attorneys, or others. On October 18, 1999, Mr. Starr resigned his appointment, and was succeeded by Robert W. Ray as independent counsel effective the same date. On March 16, 2000, Mr. Ray submitted to the Special Division of the U.S. Court of Appeals for the District of Columbia Circuit two final reports on (1) the access-to-personnel-files issues and (2) the issues related to statements made before the Government Reform and Oversight Committee. On July 28, 2000, the Court ordered the public release of the two reports. The remainder of the investigation is ongoing.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by AOUSC or, for noncash transfers, when charged by AOUSC. Most personnel compensation and benefits are recorded at the end of the pay period when earned.

**Appendix VII
Statement of Expenditures for Independent
Counsel Starr/Ray**

Note 2 - Travel

Travel generally includes expenditures for investigation-related travel paid for OIC-Starr/Ray personnel, detailees from other federal agencies, such as the Federal Bureau of Investigation (FBI), contractors, and witnesses.

Note 3 - Rent, communications, and utilities

Approximately \$426,000 in office rent is included in rent, communications, and utilities.

Note 4 - Contractual services

Contractual services primarily consist of expenditures for computer support and maintenance, office alterations and repairs, and investigators and other specialists in areas of interest to the investigation.

Note 5 - Acquisition of capital assets

The capital assets expenditures are primarily for ADP equipment. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 6 - Administrative services

AOUSC receives an administrative fee equal to 3 percent of OIC expenditures for performing disbursement and accounting functions for OIC-Starr/Ray. Payment of these fees generally occurs in the month following the services. Also included in administrative services are other costs, amounting to \$99,307, incurred by AOUSC in providing administrative guidance and support to independent counsel offices. These costs were certified by AOUSC, paid from the independent counsel appropriation, and allocated to the OIC.

Note 7 - Other costs (unaudited)

Certain costs relating to employees assigned to work with the OIC by the FBI, the U.S. Marshal Service, and the Department of Justice were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies were not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OIC during the 6-month period, based on information provided by officials of these agencies.

**Appendix VII
Statement of Expenditures for Independent
Counsel Starr/Ray**

	Costs (unaudited)
Marshal Service	\$89,163
FBI	84,378
Other Justice	<u>4,058</u>
	<u>\$177,599</u>

Statement of Expenditures for Special Counsel Danforth

JOHN C. DANFORTH

Office of Special Counsel

Statement of Expenditures
(Cash basis)

Six Months Ended March 31, 2000

Personnel compensation and benefits	\$1,014,353
Travel (note 2)	119,431
Rent, communications, and utilities (note 3)	370,114
Contractual services (note 4)	710,880
Acquisition of capital assets (note 5)	357,520
Supplies and materials	<u>17,687</u>
Total expenditures	<u>\$2,589,985</u>

The accompanying notes are an integral part of this statement.

JOHN C. DANFORTH

Office of Special Counsel

Notes to Statement of Expenditures

Note 1 – Accounting policies

Reporting entity: The accompanying statement of expenditures presents the expenditures of the Office of Special Counsel - John C. Danforth (OSC-Danforth) for the 6 months ended March 31, 2000. The statement of expenditures includes only expenditures made from the permanent, indefinite appropriation for OSC-Danforth that are processed through the Department of Justice. On September 9, 1999, the Attorney General appointed John C. Danforth as a Special Counsel to investigate the government conduct relative to events at the Branch Davidian complex near Waco, Texas on April 19, 1993.

Basis of accounting: The accompanying statement of expenditures was prepared principally on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, except for personnel compensation and benefits, expenditures are recorded when the funds are disbursed by the Department of Justice. Personnel compensation and benefits are recorded at the end of the pay period when earned.

Note 2 – Travel

Travel generally includes expenditures for investigation-related travel for OSC-Danforth personnel, and detailees from other components of the Department of Justice.

Note 3 – Rent, communications, and utilities

Approximately \$303,000 in office rent is included in rent, communications, and utilities. This category also includes rental charges for office furniture.

Note 4 – Contractual Services

Contractual services consist primarily of expenditures for litigation support, investigation services, and other specialists in areas of interest to the investigation.

**Appendix VIII
Statement of Expenditures for Special
Counsel Danforth**

Note 5 – Acquisition of capital assets

The capital assets expenditures are primarily for ADP equipment. These assets will remain the property of the federal government at the conclusion of the investigation.

Note 6 – Other Costs (Unaudited)

Certain costs relating to employees assigned to work with OSC-Danforth by the U.S. Postal Service, and the Department of Justice were financed through funds appropriated to these agencies and, accordingly, are not included in the statement of expenditures. These agencies were not reimbursed for these costs. The schedule below shows the estimated costs (unaudited) of the assistance provided to the OSC-Danforth during the 6-month period, based on information provided by officials of these agencies

	Costs (unaudited)
Postal Service	\$1,400,000
Justice	<u>109,708</u>
	<u>\$1,509,708</u>

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